



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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APR 29 2002

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2002-00003

MEMORANDUM FOR DISTRIBUTION

Subj: CLASS DEVIATION - INTEREST COSTS

Encl: (1) OUSD DP(DAR) memo dtd April 15, 2002

Enclosure (1) is forwarded for your information and action, as appropriate. The Director of Defense Procurement has authorized a class deviation from the cost principle at Federal Acquisition Regulation (FAR) 31.205-20, Interest and other financial costs, for utilities privatization contracts under which previously Government-owned utility systems are conveyed by a Military Department or Defense Agency to a contractor. Specific guidance is provided regarding allowable interest costs and unallowable facilities capital cost of money for the utilities privatization contractor. In addition, enclosure (1) addresses the applicable interest rates to be used to calculate allowable interest costs pursuant to the deviation.

This class deviation is effective for utilities privatization contracts awarded from May 1, 2002 through April 30, 2007.

Peter M. Chase
Director, Policy and Resources
Acquisition and Business
Management

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April 15, 2002

In reply refer to
DAR Tracking No.: 2002-O0003

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS
MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT), ASA (ALT)
EXECUTIVE DIRECTOR, LOGISTICS POLICY AND
ACQUISITION MANAGEMENT (DLA)

SUBJECT: Class Deviation – Interest Costs

I authorize a class deviation from the cost principle at Federal Acquisition Regulation (FAR) 31.205-20, Interest and other financial costs, for utilities privatization contracts under which previously Government-owned utility systems are conveyed by a Military Department or Defense Agency to a contractor. Pursuant to this deviation, the utilities privatization contractor will be permitted to recover its interest costs associated only with capital expenditures to acquire, renovate, replace, upgrade, and/or expand utility systems, and the contractor will not be permitted to receive *facilities capital cost of money* as a contract cost under FAR 31.205-10, Cost of money. Interest rates used to calculate allowable interest costs pursuant to this class deviation must be limited to 600 basis points above the Contract Disputes Act interest rate (41 U.S.C. 611) in effect at the time the contractor makes the capital expenditure. This class deviation is effective for utilities privatization contracts awarded from May 1, 2002 through April 30, 2007. Questions about this deviation may be addressed to Mr. Christopher Werner at (703)695-9764, or christopher.werner@osd.mil.

Deidre A. Lee
Director, Defense Procurement

cc:
DUSD(I&E)
DSMC, Ft. Belvoir

APR 17 2002
ENCLOSURE(1)

